

## Message Text

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INFO OCT-01 AF-06 ISO-00 OMB-01 AID-05 IGA-01 MC-02 TRSE-00

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 3911

INFO USCINCEUR

S E C R E T SECTION 1 OF 2 ADDIS ABABA 3868

E.O. 11652: GDS

TAGS: MASS ET

SUBJECT: SECURITY ASSISTANCE OBJECTIVES AND GUIDELINES

FY 1977-81

REF: (A) STATE 015489; (B) STATE 019549;

(C) ADDIS 6684 (JUNE 12, 1974)

A. NEED FOR THE EFFECTIVENESS OF US SECURITY ASSISTANCE TO  
ETHIOPIA

1. FOR THE PAST TWO DECADES THE ETHIOPIAN GOVERNMENT HAS  
DEPENDED UPON THE UNITED STATES FOR MILITARY ASSISTANCE AND  
TRAINING. ITS ARMED FORCES ARE OVERWHELMINGLY, INDEED ALMOST  
EXCLUSIVELY, EQUIPPED WITH AMERICAN ARMS. SINCE THE BEGINNING OF  
1973, THE ETHIOPIAN GOVERNMENT HAS BEEN ACUTELY CONCERNED BY THE  
MILITARY THREAT POSED BY SOMALIA. THE LATTER LAYS CLAIM TO ONE-  
THIRD OF ETHIOPIA AND IS ARMED PRIMARILY WITH SOVIET WEAPONS.  
INCREASED ETHIOPIAN FEARS DATE FROM THE FALL OF 1972 WHEN  
SAMOLIA BEGAN RECEIVING LARGE QUANTITIES OF SOPHISTICATED MILITARY  
EQUIPMENT FROM THE SOVIET UNION. ETHIOPIAN LEADERS ALSO CONSIDER  
A STRONG MILITARY FORCE OF GREAT IMPORTANCE BECAUSE OF THE LONG  
STANDING INSURGENCY IN ERITREA. THE ERITREAN FACTOR BECAME MUCH  
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MORE IMPORTANT IN LATE 1974 AND EARLY 1975 WHEN SUBSTANTIAL  
REINFORCEMENTS OF GOVERNMENT TROOPS WERE MOVED TO ASMARA,  
ERITREA, AND THE TEMPO OF THE ARMED CONFLICT THERE INCREASED  
GREATLY. IT IS PRIMARILY THE SOMALI THREAT, HOWEVER, WHICH

ORIGINALLY CAUSED THE ETHIOPIAN GOVERNMENT TO REQUEST VAST INCREASES IN US MILITARY ASSISTANCE SINCE EARLY 1973 AND TO REGARD MILITARY ASSISTANCE AS THE MOST IMPORTANT ASPECT OF ITS PRESENT AND NEAR-FUTURE RELATIONS WITH THE UNITED STATES. THE INCREASED MILITARY ACTION IN ERITREA, THE RESULTANT ETHIOPIAN MILITARY REPLENISHMENT REQUEST AND THE US PARTIAL RESPONSE THROUGH A CASH SALE, HAVE, IF ANYTHING, EXPANDED THE MILITARY ASPECT OF US-ETHIOPIAN RELATIONS. THIRD COUNTRY MILITARY ASSISTANCE TO ETHIOPIA HAS NOT BEEN, AND IS NOT SOON LIKELY TO BE, SIGNIFICANT.

2. THE UNITED STATES HAS A CONSIDERABLE STAKE IN ITS BILATERAL RELATIONS WITH ETHIOPIA. IT CONTINUES TO REQUIRE UNIMPEDED USE OF RESIDUAL COMMUNICATIONS FACILITIES AT KAGNEW, WHICH IF CONDITIONS PERMIT, ARE EXPECTED TO BE NEEDED FOR AT LEAST ANOTHER YEAR. MORE IMPORTANTLY, IT DESIRES THE PRESERVATION OF A RELATIVELY RELIABLE AND FRIENDLY POWER IN THE HORN OF AFRICA WHICH IN TIME OF NEED MIGHT ASSURE SUPPORT OF US STRATEGIC OPERATIONS IN THE RED SEA/INDIAN OCEAN/PERSIAN GULF ARENA.

3. AS A FUNCTION OF THESE INTERESTS, THE UNITED STATES PERCEIVES A STAKE IN THE PRESERVATION OF AN EFFECTIVE DETERRENCE IN THE HORN OF AFRICA, I.E. THE PRESERVATION OF A RELATIONSHIP OF MILITARY CAPABILITIES BETWEEN US-ARMED ETHIOPIA AND SOVIET-ARMED SOMALIA LIKELY TO DISCOURAGE CONFLICT AND TO PRESERVE THE ALTERNATIVE OF A NEGOTIATED SOLUTION TO THE ETHIO-SOMALI TERRITORIAL CONTROVERSY. THE UNITED STATES SEEKS TO PREVENT ASCENDANCY OF RADICAL ARAB, SOVIET OR CHINESE INFLUENCE IN ETHIOPIA AND ITS REGION AND TO MAINTAIN TRANSIT, LANDING AND OVERLIGHT RIGHTS THE UNITED STATES NOW ENJOYS AND WHICH SEEM LIKELY TO INCREASE IN IMPORTANCE WITH THE FORTHCOMING REOPENING OF THE SUEZ CANAL. THE UNITED STATES SEEKS FURTHER TO MAINTAIN ACCESS TO ETHIOPIAN'S POTENTIALLY IMPORTANT MINERAL RESOURCES. IN ADDITION, THE UNITED STATES HOPES TO BE ABLE TO ENLIST ETHIOPIA'S INFLUENCE, PARTICULARLY IN AFRICAN COUNCILS, IN SUPPORT OF US OBJECTIVES. US MILITARY ASSISTANCE HAS SUPPORTED AND CONTINUES TO SUPPORT THESE OBJECTIVES.

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4. CLEARLY, GIVEN ETHIOPIA'S CURRENT SITUATION, THREATS PERCEIVED BY THE EPMG TO ITS VITAL INTERESTS, GREATLY INCREASED MILITARY ACTIVITY IN ERITREA, RAPIDLY APPROACHING OBSOLESCENCE OF MOST KEY ITEMS IN ITS MILITARY INVENTORY, AND ITS VIRTUALLY TOTAL DEPENDENCE UPON US MILITARY EQUIPMENT, A DIMINISHED FLOW OF MILITARY EQUIPMENT FROM THE US TO ETHIOPIA IN THE YEARS IMMEDIATELY AHEAD WOULD ADVERSELY AFFECT OUR RELATIONS WITH THE EPMG. IT IS ENTIRELY POSSIBLE THAT UNDER SUCH CIRCUMSTANCES THE EPMG WOULD SEEK TO TURN TO THIRD COUNTRIES INCLUDING CHINA OR THE USSR AS ITS PRINCIPAL ARMS SUPPLIER IN THE LONG RUN, ALTHOUGH IT IS DOUBTFUL THAT EITHER THE USSR OR THE PRC WOULD BE WILLING AND ABLE TO MEET THE EPMG'S NEEDS, AND THE PRACTICAL PROBLEMS INVOLVED IN SUCH A CHANGE-OVER

WOULD BE SUBSTANTIAL. CONTINUING CLOSENESS OF US-ETHIOPIAN BILATERAL RELATIONS IN THE CURRENT TURBULENT PERIOD OF ETHIOPIAN HISTORY IS BASED TO A CONSIDERABLE EXTENT ON THE EPMG'S EXPECTATION THAT THE UNITED STATES WILL CONTINUE TO REGARD ITS INTERESTS IN THIS AREA IN SUCH A WAY AS TO MAKE IT RELIABLE SUPPLIER OF MILITARY RESOURCES UPON WHICH ETHIOPIA'S SURVIVAL IS DEEMED TO DEPEND.

5. ON THE OTHER HAND, SHOULD US MILITARY ASSISTANCE TO ETHIOPIA OR US WILLINGNESS TO SELL ARMS BE REDUCED, SUCH A REDUCTION MIGHT BE VIEWED BY SOMALIA AND OTHER ARAB STATES WHICH ASSIST THE ERITREAN INSURGENTS AS A WITHDRAWAL OF US SUPPORT FROM ETHIOPIA AND THUS ENCOURAGE A SOMALI ATTACK AGAINST ETHIOPIA. SUCH A DEVELOPMENT MIGHT WELL ENJOY INITIAL SUCCESS, LEADING TO THE FALL OF THE EXISTING GOVERNMENT AND ITS REPLACEMENT BY ONE WHICH CONSIDERED THE UNITED STATES LARGELY RESPONSIBLE FOR ETHIOPIA'S DEFEAT. GIVEN ETHIOPIA'S PRESENT INTERNAL DIFFICULTIES, A SOMALI VICTORY OR A SUCCESSFUL IRREDENTA, HOWEVER TEMPORARY AND LIMITED, COULD HELP TO CAUSE THE DISINTEGRATION OF THE ETHIOPIAN NATION AS A PRESENTLY KNOWN IT. SOMALIA'S OCCUPATION OF ETHIOPIAN TERRITORY MIGHT ALSO DAMAGE THE REPUTATION OF THE UNITED STATES IN MANY COUNTRIES SINCE IT IS WIDELY REGARDED AS ETHIOPIA'S PROTECTIVE PATRON. IN ADDITION, REDUCED US MILITARY ASSISTANCE TO ETHIOPIA WHILE THE EPMG IS FIGHTING IN ERITREA TO MAINTAIN ITS TERRITORIAL INTEGRITY, COULD BE VIEWED BY THE MPAC AND OTHER AFRICAN GOVERNMENTS AS AT LEAST PARTIAL US SUPPORT FOR ERITREAN SEPARATISM.

B. IMPACT OF ECONOMIC ASSISTANCE TO ETHIOPIA.

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6. ETHIOPIA IS ONE OF THE WORLD'S 25 LEAST DEVELOPED COUNTRIES. THE EPMG HAS DEDICATED ITSELF TO THE COMPLETE DESTRUCTION OF THE OLD FEUDAL ORDER OF EX-EMPEROR HAILE SELASSIE AND THE EQUAL DISTRIBUTION OF ECONOMIC AND SOCIAL BENEFITS UNDER ETHIOPIAN SOCIALISM. ACUTELY CONSCIOUS OF THEIR COUNTRY'S ECONOMIC BACKWARDNESS (WHICH THEY BLAME ON THE "ANCIENT REGIME"), THE EPMG MAY EXPERIENCE DIFFICULTY TRYING TO BALANCE THE COSTS OF ECONOMIC AND SOCIAL DEVELOPMENT WHICH THE MILITARY PURCHASES WHICH THEY BELIEVE TO BE NECESSARY BECAUSE OF THE ERITREAN PROBLEM AND THE SOMALI BORDER DISPUTE. THE EPMG CLEARLY IS NOT BOUND BY THE SAME COMPUNCTION TO HOLD DOWN MILITARY EXPENDITURES AS WAS THE FORMER REGIME. WHETHER OR NOT AN APPROPRIATE AND ADEQUATE LEVEL OF ETHIOPIAN RESOURCES WILL CONTINUE TO FLOW INTO DEVELOPMENT PROGRAMS IS STILL AN OPEN QUESTION AT THIS TIME.

7. FOREIGN DONORS HAVE BEEN RESPONSIVE TO ETHIOPIA'S ACUTE DEVELOPMENT NEEDS AND ARE MAKING CONTRIBUTIONS WHICH ARE OF GREAT IMPORTANCE FOR ETHIOPIAN DEVELOPMENT. IN FY 1974, NEW LOAN AND GRANT COMMITMENTS FOR ECONOMIC ASSISTANCE EXCEEDED US\$125 MILLION. ABOUT 55 PERCENT OF ALL ACTIVE LOANS ARE EARMARKED FOR INFRASTRUCTURE, PARTICULARLY ROADS. THE REMAINDER IS LARGELY ALLOCATED TO HUMAN

RESOURCE DEVELOPMENT. SUCH PROJECTS REQUIRE EXTERNAL CONCESSIONAL FINANCING BECAUSE THE FOREIGN CONTENT IS USUALLY HIGH, PARTICULARLY IN INFRASTRUCTURE, AND THE RETURN IS VERY LONG TERM. THUS, IN RECENT YEARS, APPROXIMATELY 50 PERCENT OF THE ETHIOPIAN CAPITAL BUDGET WAS FINANCED BY FOREIGN ASSISTANCE.

8. IN FY 1974, THE LARGEST DEVELOPMENT ASSISTANCE DONORS WERE THE IBRD/IDA AND THE UNITED STATES WITH NEW COMMITMENTS OF APPROXIMATELY US\$74 MILLION AND \$19 MILLION, RESPECTIVELY. OTHER MAJOR DONORS BY LEVEL OF EXPENDITURE IN FY 1974 ARE SWEDEN (US\$7.4 MILLION, UNDP (US\$5.4 MILLION), FEDERAL REPUBLIC OF GERMANY (US\$3.6 MILLION), UK (US\$3.6 MILLION), ITALY (US\$3 MILLION), AND FRANCE (US\$2.9 MILLION). THERE ARE ALSO LARGE CREDITS AVAILABLE FROM THE USSR AND PRC EQUIVALENT TO US\$125 MILLION AND US\$91.3 MILLION, RESPECTIVELY. WHILE USE OF PART OF THE PRC 1971 CREDIT FOR ROADS AND WATER SUPPLIES WAS BUDGETED FOR FY 1975, DRAWDOWNS OF THE US\$125 MILLION OF SOVIET 1959 CREDIT HAD AMOUNTED TO ONLY US\$21.2 MILLION BY THE END OF FY 1973 (MAINLY BECAUSE OF ITS UNATTRACTIVE TERMS AND CONDITIONS). IN ADDITION, ONLY US\$6.9 MILLION OF THE 1959

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YUGOSLAVIAN US\$10 MILLION LOAN HAD BEEN DRAWN DOWN BY THE END OF FY 1973.

9. RECENT OPLITICAL EVENTS ARE NOW HAVING REPERCUSSIONS IN THE ECONOMIC DEVELOPMENT FIELD. THE GOVERNMENT'S DEVELOPMENT PLANNING MACHINERY IS STALLED. THE FOURTH FIVE-YEAR PLAN DRAFT HAS BEEN SCRAPPED AND FOR OVER A YEAR NO WORK HAS BEEN DONE ON A REPLACEMENT PLAN. DONORS, INCLUDING THE IBRD AND THE UNITED STATES HAVE HAD TO POSTPONE SOME SCHEDULED NEW PROJECT STARTS BECAUSE THE NECESSARY JOINT PLANNING WITH THE EPMG HAS NOT GONE AHEAD AT THE REQUIRED PACE, ALTHOUGH OTHERS HAVE BEEN INITIATED DURING THIS PERIOD, WHILE THE EPMG HAS STATED THAT ITS PRINCIPAL DEVELOPMENT GOAL IS TO DIRECT THE BENEFITS OF DEVELOPMENT TO THE RURAL PEASANTRY

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FM AMEMBASSY ADDIS ABABA  
TO SECSTATE WASHDC 3912  
INFO USCINCEUR

S E C R E T SECTION 2 OF 2 ADDIS ABABA 3868

E.O. 11652: GDS  
TAGS: MASS ET  
SUBJECT: SECURITY ASSISTANCE OBJECTIVES AND GUIDELINES  
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(AND, INDEED, HAS INITIATED PROGRAMS SUCH AS LAND REFORM, THE "DEVELOPMENT THROUGH COOPERATION" RURAL EDUCATION PROGRAMS, AND STRENGTHENED LOCAL ADMINISTRATION), MEDIUM AND LONG-TERM PLANNING IS CURRENTLY INADEQUATE AND THE TECHNICAL ORGANIZATIONAL ARRANGEMENT NECESSARY FOR THE SUCCESSFUL IMPLEMENTATION OF THE DECREES IS DEFICIENT. THE DESIRED ROLE OF DONORS IN THESE AND FUTURE EPMG DEVELOPMENT EFFECTS REMAINS UNCLEAR.

10. AS DISCUSSED ABOVE, THE EPMG'S CONCERN WITH THE PERCEIVED THREAT TO ETHIOPIA'S TERRITORIAL INTEGRITY RE ERITREA AND SOMALIA IS EXTREMELY STRONG. ITS REPRESENTATIVES HAVE CLEARLY INDICATED TO THE EMBASSY THAT DEFENSE REQUIREMENTS WILL HAVE PRIORITY OVER THE COUNTRY'S DEVELOPMENT NEEDS. IT IS PRESENTLY CLEAR THAT THE EPMG IS PREPARED TO REDUCE THE WIDE GAP IT PERCEIVES BETWEEN ITS MILITARY REQUIREMENTS AND US GRANT ASSISTANCE BY RESTORING TO CREDIT AND CASH PURCHASES OF MILITARY EQUIPMENT FROM THE UNITED STATES. THIS POLICY MAY WELL CONTINUE IN THE FUTURE UNLESS  
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UNFORESEEN DEVELOPMENTS CONVINCE ETHIOPIA THAT THE PERCEIVED SOMALI "THREAT" HAS DIMINISHED AND THE ERITREAN PROBLEM IS RESOLVED. IN THE NEAR TERM, MOREOVER, FINANCIAL AUTHORITY UNDER INSTRUCTIONS FROM THE PMAC CAN PROBABLY BE EXPECTED TO TAKE WHATEVER STEPS IT DEEMS NECESSARY TO FINANCE ESSENTIAL MILITARY EXPENDITURES. CONSEQUENTLY, THE STEPPED UP MILITARY PROGRAM WILL PROBABLY REDUCE THE EPMG'S BUDGETARY SUPPORT FOR THE LOCAL COST ELEMENT OF FOREIGN FUNDED DEVELOPMENT PROJECTS WHICH WILL HAVE DELETERIOUS EFFECTS ON ETHIOPIA'S DEVELOPMENT EFFORT.

C. TRENDS TOWARD ETHIOPIAN DEFENSE SELF-SUFFICIENCY.

11. THE PAST YEAR HAS SEEN THE FIRST SIGNIFICANT STEPS TOWARD HOST COUNTRY SELF-SUFFICIENCY IN DEFENSE FINANCE AND PROCUREMENT. THE EPMG IS, FOR THE FIRST TIME, TRANSACTING PMS CASH AND CREDIT CASES- AND AT A LEVEL MANY FOLD THAT OF THE MILITARY ASSISTANCE PROGRAM (MAP) (GRANT AID). IN ADDITION, THE EPMG HAS ACCEPTED THE TRANSFER OF RESPONSIBILITY FOR FUNDING OF ALL O&M FOR TACTICAL WHEELED VEHICLES AND F5 AIRCRAFT FROM MAP TO FMS EFFECTIVE WITH THE FY76 PROGRAM. IT IS FELT THAT THE PATTERN OF SIGNIFICANT FMS TRANSACTIONS WILL CONTINUE THROUGH FY81, AND THAT THE O&M

CONTENT OF THE MAP WILL HAVE BEEN INCREMENTALLY REDUCED TO EIGHT  
PER CENT OR LESS BY THAT YEAR.  
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